PERAC AUDIT REPORT

Attleboro Contributory Retirement System

JAN. 1, 2011 - DEC. 31, 2013

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

TABLE OF CONTENTS

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman* JOSEPH E. CONNARTON, *Executive Director*

Auditor SUZANNE M. BUMP | KATE FITZPATRICK | JOHN B. LANGAN | JAMES M. MACHADO | ROBERT B. McCARTHY

February 25, 2015

The Public Employee Retirement Administration Commission has completed an examination of the City of Attleboro Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2011 to December 31, 2013. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the finding presented in this report.

In closing, I acknowledge the work of examiners William Walsh, Sam O'Brien and Jim Tivnan who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton

Joseph E. Connarton
Executive Director

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EXPLANATION OF FINDING AND RECOMMENDATION

Bank Reconciliation:
The Treasurer's office did not provide a complete and formal reconciliation of the retiree payroll account. Rather, the Board Administrator reconciles the payroll account monthly. An effective system of internal control would dictate a person other than the staff employee responsible for initiating and recording the financial transactions should perform the reconciliation function. The Attleboro Treasurer is paid a stipend of $1,000 on behalf of the Retirement Board for these services.

Recommendation: The City Treasurer shall be the custodian of the retirement system's funds according to G.L. c. 32, § 23(2)(a). As custodian of the retirement fund, the Treasurer is obligated to perform a monthly reconciliation of all retirement system cash accounts. This process is necessary to maintain proper internal control by segregating reconciliation duties.

Board Response:
The City Treasurer has been notified that as of January 1, 2015, the reconciliation of the Retirement System's payroll account will no longer be carried out by the Retirement Board staff. The reconciliation will be performed by the City Treasurer who is the custodian of the Retirement System's funds.

FINAL DETERMINATION:
PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,		
	2013	2012	2011
Net Assets Available For Benefits:			
Cash	$4,300,019	$1,275,857	$1,105,719
Fixed Income Securities (at book value)	1,618	2,031	2,280
Equities	61,242,392	32,161,860	26,637,003
Pooled Domestic Equity Funds	6,338,761	16,618,972	14,333,230
Pooled International Equity Funds	18,283,308	15,825,006	11,644,156
Pooled Global Fixed Income Funds	18,551,123	20,464,600	23,391,674
Pooled Real Estate Funds	13,575,532	12,001,004	8,823,676
Hedge Funds	0	4,783,630	4,414,657
Interest Due and Accrued	8	10	47
Accounts Receivable	130,554	59,034	2,169,398
Accounts Payable	(100,453)	(117,472)	(128,023)
Total	$122,322,863	$103,074,531	$92,393,818
Fund Balances:			
Annuity Savings Fund	$29,830,767	$28,726,456	$27,572,642
Annuity Reserve Fund	7,234,952	6,577,891	6,505,374
Pension Fund	0	0	0
Military Service Fund	40,203	40,163	26,940
Expense Fund	0	0	0
Pension Reserve Fund	85,216,941	67,730,022	58,288,863
Total	$122,322,863	$103,074,531	$92,393,818

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2011)	$26,275,346	$6,236,889	$945,668	$27,545	$0	$60,564,704	$94,050,152
Receipts	2,718,910	192,878	5,227,148	1,333	661,164	(726,703)	8,074,730
Interfund Transfers	(1,179,829)	1,182,337	1,548,568	(1,938)	0	(1,549,138)	0
Disbursements	(241,785)	(1,106,731)	(7,721,383)	0	(661,164)	0	(9,731,064)
Ending Balance (2011)	27,572,642	6,505,374	0	26,940	0	58,288,863	92,393,818
Receipts	2,844,869	197,085	5,753,384	13,223	701,766	11,639,022	21,149,348
Interfund Transfers	(1,179,542)	1,183,634	2,193,771	0	0	(2,197,862)	0
Disbursements	(511,513)	(1,308,201)	(7,947,155)	0	(701,766)	0	(10,468,635)
Ending Balance (2012)	28,726,456	6,577,891	0	40,163	0	67,730,022	103,074,531
Receipts	3,094,132	203,973	5,811,103	40	814,415	20,024,285	29,947,948
Interfund Transfers	(1,716,393)	1,709,307	2,544,452	0	0	(2,537,366)	0
Disbursements	(273,427)	(1,256,219)	(8,355,555)	0	(814,415)	0	(10,699,617)
Ending Balance (2013)	$29,830,767	$7,234,952	$0	$40,203	$0	$85,216,941	$122,322,863

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31, 2013	2012	2011
Annuity Savings Fund:			
Members Deductions	$2,772,161	$2,643,381	$2,525,334
Transfers from Other Systems	235,735	154,726	137,818
Member Make Up Payments and Re-deposits	14,185	2,730	1,802
Member Payments from Rollovers	37,961	9,934	0
Investment Income Credited to Member Accounts	34,090	34,098	53,956
Sub Total	3,094,132	2,844,869	2,718,910
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	203,973	197,085	192,878
Sub Total	203,973	197,085	192,878
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	79,688	74,224	56,669
Received from Commonwealth for COLA and Survivor Benefits	194,972	377,697	118,385
Pension Fund Appropriation	5,536,443	5,298,314	5,052,094
Settlement of Workers' Compensation Claims	0	3,150	0
91A Recovery	0	0	0
Sub Total	5,811,103	5,753,384	5,227,148
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	13,196	1,278
Investment Income Credited to the Military Service Fund	40	27	55
Sub Total	40	13,223	1,333
Expense Fund:			
Investment Income Credited to the Expense Fund	814,415	701,766	661,164
Sub Total	814,415	701,766	661,164
Pension Reserve Fund:			
Federal Grant Reimbursement	3,781	3,092	(2,606)
Interest Not Refunded	10	478	0
Miscellaneous Income	1,960	47	1,929
Excess Investment Income (Loss)	20,018,533	11,635,405	(726,026)
Sub Total (Loss)	20,024,285	11,639,022	(726,703)
Total Receipts, Net	$29,947,948	$21,149,348	$8,074,730

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2013	2012	2011
Annuity Savings Fund:			
Refunds to Members	$78,257	$174,418	$198,169
Transfers to Other Systems	195,171	337,095	43,616
Sub Total	273,427	511,513	241,785
Annuity Reserve Fund:			
Annuities Paid	1,220,319	1,133,494	1,071,764
Option B Refunds	35,900	174,707	34,967
Sub Total	1,256,219	1,308,201	1,106,731
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	6,138,058	5,924,115	5,731,775
Survivorship Payments	262,744	344,732	223,741
Ordinary Disability Payments	52,815	83,883	69,309
Accidental Disability Payments	1,074,262	898,958	953,930
Accidental Death Payments	573,120	475,870	513,250
Section 101 Benefits	89,642	65,864	70,119
3 (8) (c) Reimbursements to Other Systems	164,914	153,733	159,259
Sub Total	8,355,555	7,947,155	7,721,383
Expense Fund:			
Board Member Stipend	15,000	15,000	15,000
Salaries	100,076	96,824	94,101
Legal Expenses	25,041	25,017	15,679
Travel Expenses	516	2,550	710
Administrative Expenses	7,566	3,887	3,199
Furniture and Equipment	626	742	0
Management Fees	553,582	439,593	445,238
Custodial Fees	62,956	43,034	37,683
Consultant Fees	26,250	53,125	27,750
Service Contracts	16,808	16,008	16,008
Fiduciary Insurance	5,994	5,986	5,796
Sub Total	814,415	701,766	661,164
Total Disbursements	$10,699,617	$10,468,635	$9,731,064

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2013	2012	2011
Investment Income Received From:			
Cash	($23)	$162	$179
Fixed Income	116	124	150
Equities	518,831	391,914	248,399
Pooled or Mutual Funds	134,512	229,784	242,833
Total Investment Income	653,436	621,984	491,561
Plus:			
Realized Gains	4,065,583	1,539,292	1,209,153
Unrealized Gains	21,530,198	15,570,640	11,359,600
Interest Due and Accrued - Current Year	8	10	47
Sub Total	25,595,789	17,109,941	12,568,800
Less:			
Realized Loss	(714,323)	(965,202)	(2,130,436)
Unrealized Loss	(4,463,841)	(4,198,295)	(10,747,762)
Interest Due and Accrued - Prior Year	(10)	(47)	(136)
Sub Total	(5,178,174)	(5,163,544)	(12,878,334)
Net Investment Income	21,071,052	12,568,381	182,028
Income Required:			
Annuity Savings Fund	34,090	34,098	53,956
Annuity Reserve Fund	203,973	197,085	192,878
Military Service Fund	40	27	55
Expense Fund	814,415	701,766	661,164
Total Income Required	1,052,518	932,976	908,054
Net Investment Income	21,071,052	12,568,381	182,028
Less: Total Income Required	1,052,518	932,976	908,054
Excess Income (Loss) To The Pension Reserve Fund	$20,018,533	$11,635,405	($726,026)

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2013	
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	$4,300,019	3.516%
Fixed Income Securities (at book value)	1,618	0.001%
Equities	61,242,392	50.079%
Pooled Domestic Equity Funds	6,338,761	5.183%
Pooled International Equity Funds	18,283,308	14.950%
Pooled Global Fixed Income Funds	18,551,123	15.169%
Pooled Real Estate Funds	13,575,532	11.101%
Grand Total	$122,292,753	100.00%

For the year ending December 31, 2013, the rate of return for the investments of the City of Attleboro Retirement System was 20.74%. For the five-year period ending December 31, 2013, the rate of return for the investments of the City of Attleboro Retirement System averaged 14.08%. For the 29-year period ending December 31, 2013, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the City of Attleboro Retirement System was 9.28%.

The composite rate of return for all retirement systems for the year ending December 31, 2013 was 15.57%. For the five-year period ending December 31, 2013, the composite rate of return for the investments of all retirement systems averaged 12.13%. For the 29-year period ending December 31, 2013, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.49%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The City of Attleboro Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission.

March 30, 2012
<u>ATTLEBORO RETIREMENT BOARD</u> <u>SUPPLEMENTARY REGULATION HANCOCK TIMBERLAND XI LP</u>
"With respect to the Attleboro Municipal Contributory Retirement System (the "System") investment in the Hancock Timberland XI LP (the "Fund") the following shall apply:

1. For purposes of 840 CMR 17.04(3), investments of the System shall not be deemed to include the underlying assets of the Fund, but shall only include Units of the Fund; provided that at all times the Fund qualifies as a "real estate operating company" within the meaning of the Employee Retirement Security Act of 1974, as amended ("ERISA");
2. 840 CMR 21.01(6) (prohibition on investment in lettered or restricted stock with the exception of those that are venture capital investments) shall not apply to the Units of the Fund;
3. 840 CMR 19.01(6)(c) (prohibition on investment in a limited partnership which invests in real estate if more than 20% of the funds thereof are invested in a single investment) shall not apply to the Fund's investments; and
4. 840 CMR 19.01(7) (retention of a qualified investment manager whose fee is based on a percentage of committed capital, provided, however, that such a fee may be paid for one year after the partnership commences operations, and provided, further, that such a fee is paid by all investors) shall not apply to the advisor of the Fund as they are consistent with industry practice."

April 3, 2007
Notwithstanding the provision of the Code of Massachusetts Regulation 840 CMR 21.01(2), (3)(a) & (b), (4)(a) & (b), and (5), the Attleboro Retirement System through its duty constituted Retirement Board may invest funds of the Retirement System in the fund known as INVESCO Core Real Estate USA, LLC, a venture capital operating company within the meaning of the Employee Retirement Income Security Act of 1974 (ERISA).

INVESCO shall not be subject to the existing provisions of 840 CMR 21.01(2), (3)(a) & (b), (4)(a) & (b), and (5), but shall be subject to the prohibited investment provisions under ERISA guidelines.

The prohibited investment provisions that apply to the INVESCO portfolio shall be defined relying upon ERISA statutory exemptions and the administrative class exemptions and regulations, specifically QPAM Exemption 84-14, as amended ("PTCE 84-14"), Prohibited Transaction Class Exemption 91-38 ("PTCE 91-38") issued by the Department of Labor and other ERISA applicable regulations retroactive to the time that INVESCO began investing the System's funds in its Core Real Estate Fund.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

October 16, 1997
20.06(10)
Private Placement securities falling under the governance of Rule 144A may be purchased up to 5% of the market value of the fixed income portfolio at the time of purchase. These Rule 144A Private Placements shall be considered to be corporate bonds and, as such, governed by guideline constraints, with respect to credit and concentration limits, similar to those that apply to corporate bonds in general.

October 16, 1997
20.03(2)
At least 40% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year, including Yankee Bonds which shall be limited to 15% of the total fixed income portfolio valued at market.

January 29, 1997
20.03(1)
Equity investments shall not exceed 60% of the portfolio valued at market, including international equities which shall not exceed 10% of the portfolio valued at market.

20.04(6)
American Depository Receipts denominated in U.S. currency and listed on a United States stock exchange or traded over the counter in the United States, provided that the total of all such investments shall be considered part of the board's equity asset allocation and shall not exceed 5% of the total market value of the portfolio.

20.07(9)
Commingled real estate shall not exceed 5% of the total book value of the portfolio at the time of purchase provided that:

(a) the retirement board does not participate in the selection of personnel responsible for making real estate investments and should this be required, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action:

(b) such personnel retain authority in the decision making process, and

(c) should an investment in real estate result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture is prudent.

May 30, 1996
20.04(1)
United States base corporations and equities of foreign corporations.

20.07(5)
Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

April 21, 1992
20.06(8), 20.07(6)
Purchases and sales of fixed income investments with maturities exceeding one year shall not exceed 200% of the market value of all fixed income obligations in any twelve month period, excluding cash and short term obligations.

February 21, 1992
4.03:
Copies to be sent to PERA

1. Within four (4) weeks of the close of each month, after all entries for the month have been posted and a trial balance performed, the board shall send to the Public Employee Retirement Administration a photocopy of the following for the month:
   A. Cash Book entries;
   B. Trial Balance; and
   C. Journal Entries

August 28, 1989

(1) Real estate investments shall not total more than $200,000 at the time of purchase and shall consist of real estate trusts and partnerships, provided that:

    (a) trust participants or limited partners do not participate in the selection of trustees or general partners and should a trust participant or limited partner be required to participate in the selection of a trustee or general partner, prior to any participation by the board, the board shall consult with PERA to determine the appropriate course of action, and

    (b) such trustees or general partners retain authority in the decision making process, and

    (c) should an investment in a trust or limited partnership result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said trust or limited partnership is prudent.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all City of Attleboro Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 105 contributory retirement systems for public employees in Massachusetts. Each system is governed by a retirement board and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the State Police. The other 3 classes are as follows:

Group 1:

General employees, including clerical, administrative, technical and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of $30,000.

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6 % after achieving 30 years of creditable service.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A person who became a member before April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- attainment of age 60 with 10 years of service if classified in Group 1, or
- attainment of age 55 with 10 years of service if classified in Group 2, or
- attainment of age 55 if classified in Group 4.

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year (or five year as discussed below) average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of $15 per year for each year of creditable service, up to a maximum of $300.

For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation will be limited to prohibit "spiking" of a member's salary to increase the retirement benefit.

• For persons who became members prior to April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last 3 years (whether or not consecutive) preceding retirement.

• For persons who became members on or after April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 5 consecutive years that produce the highest average, or, if greater, during the last 5 years (whether or not consecutive) preceding retirement.

• The Benefit Rate varies with the member's retirement age. For persons who became members prior to April 2, 2012 the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

• For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .15% reduction is applied for each year of age under the maximum age for the member's group.

• For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 55. A .125% reduction is applied for each year of age under the maximum age for the member's group.

DEFERRED VESTED BENEFIT

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Certain public safety employees cannot defer beyond age 65. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70½.

NOTES TO FINANCIAL STATEMENTS (Continued)

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. The interest rate for employees who first become members on or after January 1, 1984 who voluntarily withdraw their contributions with less than 10 years of service will be 3%. Interest payable on all other withdrawals will be set at regular interest.

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s.6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”. “Maximum age” applies only to those employees classified in Group 4 who are subject to mandatory retirement.

Retirement Allowance: For persons who became members prior to April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

For persons in Group 1 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 60. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 60, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

For persons in Group 2 and Group 4 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of 774.36 per year (or $312.00 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of $15 per year for each year of creditable service, up to a maximum of $300.

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of 774.36 per year, per child (or $312.00 per year in systems in which the local option contained in G.L. c. 32, s. 9(2)(d)(ii) has not been adopted), payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries while in the performance of his duties that results in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death. In addition, an eligible family member may receive a one-time payment of $150,000.00 from the State Retirement Board. This lump sum payment is also available to the family of a public prosecutor in certain, limited circumstances.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of $6,000. For Systems that accept the provisions of Section 28 of Chapter 131 of the Acts of 2010, the amount of this benefit is $9,000. For Systems that accept the provisions of Section 63 of Chapter 139 of the Acts of 2012, the amount of this benefit is $12,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and selected Option C on the day before his or her death. For a member who became a member prior to April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 55 benefit rate is used. For a member classified in Group 1 who became a member on or after April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 60 benefit rate is used. If the member died after age 60, the actual age is used. For a member classified in Group 2 or Group 4, whose death occurred prior to the member's minimum superannuation retirement age, the benefit shall be calculated using an age 55 age factor. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is $3,000 unless the retirement system has accepted the local option increasing this minimum annual allowance to $6,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death

The surviving spouse of such a member in service receives an additional allowance equal to the sum of $1,440 per year for the first child and $1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase (COLA) for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. Only a certain portion of a retiree's total allowance is subject to a COLA. The total COLA for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

Under the provisions of Chapter 32, Section 103(j) inserted by Section 19 of Chapter 188 of the Acts of 2010, systems may increase the maximum base on which the COLA is calculated in multiples of $1,000. For many years the COLA base was calculated based upon the first $12,000 of a retiree's allowance. Now the maximum base upon which the COLA is calculated varies from system to system. . Each increase in the base must be accepted by a majority vote of the Retirement Board and approved by the legislative body.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who is has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system. If a member received regular compensation concurrently from two or more systems on or after January 1, 2010, and was not vested in both systems as of January 1, 2010, such a pro-ration will not be undertaken. This is because such a person will receive a separate retirement allowance from each system.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

Cash accounts are considered to be funds on deposit with banks and are available upon demand.

Short Term Investments are highly liquid investments that will mature within twelve months from the date of acquisition.

Investments are reported at their fair value. Securities traded on recognized exchanges are valued at the most recent sales price at year end. If no sale was reported, the mean of the bid and asked price is used when available, or the most recent bid price. Mutual, commingled and pooled funds are valued based on the net asset or unit value at year end. Real estate and alternative investments are valued based on estimates provided by the managers of those respective investments. Purchases and sales of securities are reflected on the date the trade is initiated. Realized gain or loss is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. Dividend income is generally recorded when received. Interest income is recorded as earned on an accrual basis. Income from alternative investments is recorded as reported by the managing partner. Appreciation or depreciation in the value of investments consists of the unrealized gains and losses reported as the difference between the previous period and the current value.

The system makes estimates and assumptions that affect the reported values of assets and liabilities and the reported amounts added and deducted during the reporting periods. The fair value of real estate and alternative investment holdings are generally estimated in the absence of reliable exchange values. The actual funds realized upon liquidation may differ from these estimates.

The provisions of Massachusetts General Laws Chapter 32, § 23 (2) generally govern the investment practices of the system. The Board retains an investment consultant to closely monitor the implementation and performance of their investment strategy and advise them of the progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

Operating expenses include the ordinary and necessary cost of investment and professional services and the other miscellaneous administrative expenses of the system.

NOTES TO FINANCIAL STATEMENTS (Continued)

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The City of Attleboro Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission

Membership:
January 17, 2006
Membership Eligibility: An employee who is employed at least twenty (20) hours per week on a permanent basis, shall become a member of the system.

Temporary or Provisional Employees (1): Once an employee has completed six (6) months of service he/she shall join the system. Provisional police and firefighters shall become members upon employment.

Temporary or Provisional Employees (2): Shall become members* of the system upon the date of employment if they work twenty (20) hours or more. If at the end of their probationary period they are terminated, their deductions shall be refunded upon request. *Membership begins on the date that regular compensation commences for the position which you are employed.

Service Prior to Membership: Credit for service prior to membership shall be computed to credit the member for that proportion of a normal year which the number of days actually worked during that year bears to the normal working year for the department under which the employee serves. The ratio of creditable service will be determined at the time of the buyback calculating the percentage from the hours being worked in relationship to the hours worked during the period of service to be purchased.

Transfers In: The Attleboro Retirement system will not accept a transfer from another system on behalf of an employee who does not meet the minimum requirement of twenty (20) hours per week for membership. Once the employee becomes eligible to be a member of the Attleboro system, a transfer from another system will be accepted and the employee will be credited with the transferred service.

Creditable Service:
January 17, 2006
Full-time Employees Who Become Part-time Employees: An employee who is employed full-time and later becomes part-time will continue membership in the system even if the part-time hours worked fall below the minimum requirement of twenty (20) hours per week. Credit for part-time service less than 20 hours will be pro-rated by taking the actual number of hours worked and dividing by the number of hours which constitute full-time status for the position held.

School Department Employees: Any employee of the Attleboro School Department who is not a certified Teacher and therefore eligible to apply for membership in the retirement system will be given credit for a full year of creditable service if employed at least 20 hours per week and the job they perform occurs only during the school year.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the City Auditor who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member:	Debra Gould		
Appointed Member:	James M. Castro	Term Expires:	02/28/17
Elected Member:	Gary S. Sagar Chairperson	Term Expires:	12/31/16
Elected Member:	Raymond B. Slater	Term Expires:	12/31/17
Appointed Member:	Richard V. Boucher	Term Expires:	02/06/15

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the system has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:	)	Coverage under a master MACRS sponsored policy with
Ex-officio Member:	)	Travelers Casualty & Surety Co. of America
Elected Members:	)	$50,000,000 Fiduciary policy, Deductible $100,000.
Appointed Members:	)	Separate Fidelity coverage pertaining to ERISA/Crime
Staff Employees:	)	To a limit of $1,000,000, Deductible $10,000.

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Stone Consulting, Inc. as of January 1, 2014.

The actuarial liability for active members was	$82,264,886
The actuarial liability for retired members was	90,058,136
The total actuarial liability was	$172,323,022
System assets as of that date were	112,700,280
The unfunded actuarial liability was	$59,622,742
The ratio of system's assets to total actuarial liability was	65.4%
As of that date the total covered employee payroll was	$29,239,514

The normal cost for employees on that date was	9.2% of payroll
The normal cost for the employer before administrative expenses was	4.5% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return:	8.00% per annum
Rate of Salary Increase:	Gr 1 & 2 : 6.5% for first 9 yrs, 4% ultimate
	Gr 4: 7% first 6 yrs, 4.5% ultimate

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION
AS OF JANUARY 1, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2014	$98,889,310	$172,323,022	$59,622,742	65.40%	$29,239,514	203.90%
1/1/2012	$98,889,310	$151,925,627	$53,036,317	65.1%	$27,568,303	192.4%
1/1/2010	$96,158,771	$138,736,445	$42,577,674	69.3%	$26,656,072	159.7%
1/1/2007	$89,750,844	$118,944,459	$29,193,615	75.5%	$24,238,213	120.4%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Retirement in Past Years										
Superannuation	11	7	10	3	11	11	17	12	12	18
Ordinary Disability	1	0	0	0	0	0	0	0	1	0
Accidental Disability	0	0	0	2	1	0	2	0	3	6
Total Retirements	12	7	10	5	12	11	19	12	16	24
Total Retirees, Beneficiaries and Survivors	421	409	403	394	388	391	406	406	391	393
Total Active Members	688	703	761	735	733	700	672	689	666	673
Pension Payments										
Superannuation	$4,299,484	$4,422,400	$4,560,275	$4,583,278	$4,664,871	$4,983,393	$5,324,482	$5,731,775	$5,924,115	$6,138,058
Survivor/Beneficiary Payments	183,527	183,917	190,065	195,672	195,507	191,119	197,592	223,741	344,732	262,744
Ordinary Disability	73,320	74,362	72,601	63,288	63,793	63,589	63,234	69,309	83,883	52,815
Accidental Disability	820,844	855,932	842,625	856,251	939,515	840,003	843,131	953,930	898,958	1,074,262
Other	475,824	486,827	535,687	529,799	654,900	808,716	722,762	742,629	695,466	827,677
Total Payments for Year	$5,852,999	$6,023,438	$6,201,253	$6,228,288	$6,518,586	$6,886,820	$7,151,201	$7,721,383	$7,947,155	$8,355,555

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